

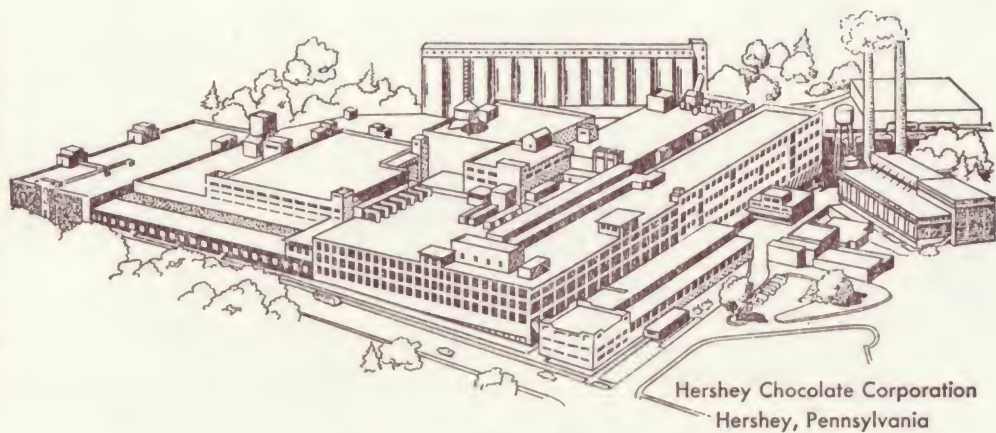
# HERSHEY'S



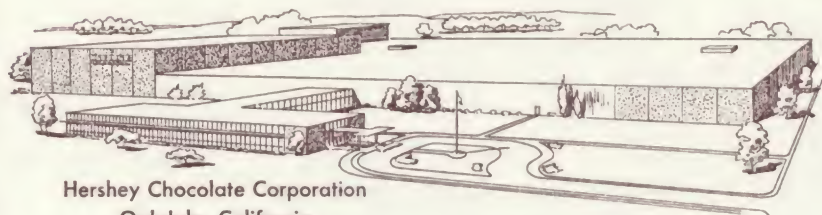
**ANNUAL REPORT**  
**DECEMBER 31, 1964**

# NEWSPAPERS





Hershey Chocolate Corporation  
Hershey, Pennsylvania



Hershey Chocolate Corporation  
Oakdale, California



Hershey Chocolate of Canada Ltd.  
Smiths Falls, Ontario



H. B. Reese Candy Co., Inc.  
Hershey, Pennsylvania

## HERSHEY CHOCOLATE CORPORATION AND SUBSIDIARIES

## BOARD OF DIRECTORS

S. F. HINKLE, *Chairman*

J. HEMPHILL

W. E. SCHILLER

H. S. MOHLER

R. L. UHRICH

R. H. REESE

A. R. WHITEMAN

## OFFICERS

S. F. HINKLE, *President*

H. S. MOHLER, *Vice President*

W. E. SCHILLER, *Vice President and Treasurer*

R. L. UHRICH, *Secretary*

L. W. SIMMONS, *Comptroller*

## TRANSFER AGENT

FIRST NATIONAL CITY BANK  
NEW YORK

## REGISTRAR

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

## AUDITORS

ARTHUR ANDERSEN & CO.  
NEW YORK



## To the Stockholders:

Your Company has completed its sixty-first year in a state of excellent corporate health, and, as its business experiences extend into the year of 1965, it is both appropriate and pleasant to review the highlights of 1964 and to project for you some of the near-range potentials which we believe lie before us.

Our sales in 1964 reached a record high of \$207,129,308 — an increase of \$4,107,404 over the 1963 total reported to you. Net earnings in 1964 were \$22,745,755 as compared with \$22,233,913 in 1963. On a per share basis the earnings were \$1.86 in 1964 and \$1.82 in 1963.

Dividends paid totaled 92½ cents per share in 1964 as compared with 90 cents in 1963. In each of these years, and included in the figures, was an extra dividend of 20 cents. The regular quarterly dividend was increased in the fourth quarter of 1964 to 20 cents from 17½ cents.

In our report to you last year, we commented upon the wide gyrations in the pattern of sugar prices and ventured the belief that a lower and more stable market situation for this important commodity might occur in 1964. This has been true and the present outlook is one involving price levels which are comparable to those of prior years and therefore compatible with our best interests as we develop further the structure of our business and the sale of our products.

It is not new to you that our principal commodity, the cocoa bean, has demanded of us our closest attention through the years since this is a product of the tropical world and, to the last pound, must be imported from numerous foreign countries. Six of these countries, producing 80% of the world supply, have formed a Producers' Alliance, the objective being to attempt to control selling prices at levels which they wish them to be.

Reports to us indicate that the present crop is the largest of all time, but sales have been restricted or withheld in an effort to induce a rise in price. The associations of importers and manufacturers who use cocoa beans in the United States are on record in the belief that the interests of all groups — producers in the tropics, manufacturers and consumers throughout the world — will best be served if supply and demand are permitted to determine price. Other regulatory attempts such as enforced price controls or any methods calculated to drive prices of cocoa beans to higher levels would, if successful, be certain to meet with ultimate resistance at the consumer level and, therefore, be self-defeating.

The appeal of chocolate products is a natural one, but the great majority of consumers are also value conscious and must be continually attracted to and induced to purchase our products in preference to the many types of confectionery and other products on the market. In this

era of highly competitive marketing and selling methods at the retail level, your Company never loses sight of the fact that other firms are constantly looking for new methods of persuading consumers to purchase their products to the exclusion of ours. It is not enough that people like chocolate — they must repeatedly purchase and consume it in order for our business to be successful.

Our new manufacturing plant in Oakdale, California is now almost completed. Equipment check-out and trial runs are under way and we expect to be in full production before the year's end. This new facility will become an important adjunct to our productive capacity and will enable us to make substantial savings in serving the western states. It will be the most modern chocolate plant in existence with a capacity of about one-fifth that of our factory in Hershey.

During 1964 consolidated expenditures for plant and property additions totaled approximately \$18,500,000. The major portion of this amount was allocated to the plant at Oakdale, but substantial investments have also been made at Hershey. Smaller additions have been included at the plants of our two subsidiaries, H. B. Reese Candy Co., Inc. and Hershey Chocolate of Canada Ltd. One of the principal facilities completed at Hershey in 1964 is the new research and development laboratory. Recent advances in scientific equipment and developments in methods of control had previously delayed this project, but we now believe that this laboratory, with the finest of equipment, places us in the fore of the research and experimental phases of our industry.

The Company's subsidiary, Hershey Chocolate of Canada Ltd., continues to develop the market for its products in Canada. An important step was the initiation of an advertising program which began in mid-year and became Dominion-wide by the year's end. Television and billboards were utilized as the principal advertising media. H. B. Reese Candy Co., Inc. has had a most satisfactory year with sales and earnings fully meeting our expectations.

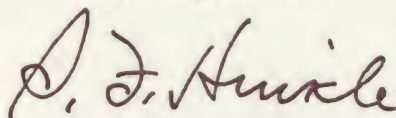
Several new products were introduced in 1964. HERSHEY'S Peanut Butter Cups are now being sold throughout Canada. In the United States, your Company is marketing two new items — Handi-Bake, a liquid chocolate product for baking, and Chocolate Covered Candy Coated Peanuts. These last two items are illustrated in the enclosed samples of promotional material.

Once again, we suggest that you visit your plants in Hershey and Smiths Falls and, later in the year, in Oakdale when we will be ready to receive you. We also hope that you will stop by and see the Hershey and Reese exhibits in the Better Living Center at the New York World's Fair. In 1964 a record total of more than 450,000 visitors came to our plant in

Hershey. We are located twelve miles east of Harrisburg, Pennsylvania and but a few miles north of the Pennsylvania Turnpike. This is your cordial invitation to call upon us and enjoy a tour of your plant, the town of Hershey and the beautiful Pennsylvania countryside. Tours of the factory are available Monday through Friday, excepting on holidays.

I would be remiss in my responsibilities if I did not take this opportunity to express my sincere appreciation to the officers, department heads and all of the loyal employees of Hershey and its subsidiaries for their energetic services and their devotion to the Company as it continues to grow and prosper.

Respectfully submitted,

A handwritten signature in dark ink, reading "D. J. Huxle". The signature is written in a cursive style with a large, prominent initial "D".

Chairman of the Board  
and President

February 24, 1965



## HERSHEY CHOCOL

and Su

## CONSOLIDATED

## ASSETS

	December 31	
	1964	1963
CURRENT ASSETS:		
Cash.....	\$ 5,939,644	\$ 7,878,288
Accounts receivable, less reserves ...	9,264,771	9,050,566
Inventories (See Note) .....	<u>78,585,444</u>	<u>69,490,554</u>
Total current assets .....	<u>\$ 93,789,859</u>	<u>\$ 86,419,408</u>
PLANT AND PROPERTY, at cost:		
Land, buildings and equipment .....	\$ 78,966,596	\$ 60,721,593
Less—Reserves for depreciation .....	<u>31,583,369</u>	<u>29,620,266</u>
Net plant and property .....	<u>\$ 47,383,227</u>	<u>\$ 31,101,327</u>
PREPAID ITEMS.....	<u>\$ 592,981</u>	<u>\$ 593,049</u>
	<u>\$141,766,067</u>	<u>\$118,113,784</u>

NOTE: Inventories of cocoa beans, almonds and peanuts together with such substantially all stated at cost under the "last-in, first-out" method.



# TE CORPORATION

idiaries

## ALANCE SHEET

### LIABILITIES

	December 31	
	<u>1964</u>	<u>1963</u>
CURRENT LIABILITIES:		
Bank loan .....	\$ 3,000,000	\$ —
Accounts payable and accrued liabilities .....	6,797,201	6,451,500
Reserve for state taxes .....	967,777	1,036,759
Reserve for Federal income tax (less, in 1963, U.S. Government short-term securities, \$8,414,182) .....	<u>11,416,393</u>	<u>3,187,956</u>
Total current liabilities .....	<u>\$ 22,181,371</u>	<u>\$ 10,676,215</u>
RESERVE FOR DEFERRED INCOME TAXES .....		
	<u>\$ 1,950,000</u>	<u>\$ 1,300,000</u>
CAPITAL STOCK AND SURPLUS:		
Common stock, without par value — Authorized 15,000,000 shares; outstanding — 1964, 12,225,100 shares; 1963, 12,221,620 shares	\$ 9,030,848	\$ 8,972,384
Earned surplus.....	<u>108,603,848</u>	<u>97,165,185</u>
Total capital stock and surplus	<u>\$117,634,696</u>	<u>\$106,137,569</u>
	<u>\$141,766,067</u>	<u>\$118,113,784</u>

aterials and wage costs included in finished goods and goods in process, are  
he remaining inventories are stated at the lower of average cost or market.

# HERSHEY CHOCOLATE CORPORATION

and Subsidiaries

## CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS

### PROFIT AND LOSS

	For the Years Ended December 31	
	1964	1963
NET SALES .....	\$207,129,308	\$203,021,904
COSTS AND EXPENSES:		
Cost of goods sold .....	\$132,669,818	\$129,340,234
Shipping expenses .....	12,603,534	12,723,600
Selling, administrative and general expenses .....	14,327,666	13,675,302
Total costs and expenses .....	\$159,601,018	\$155,739,136
Profit from operations .....	\$ 47,528,290	\$ 47,282,768
OTHER EXPENSES (Net) .....	17,535	51,507
Profit before income taxes .....	\$ 47,510,755	\$ 47,231,261
PROVISION FOR INCOME TAXES:		
Federal income tax .....	\$ 22,940,000	\$ 23,151,489
Pennsylvania income tax .....	1,825,000	1,845,859
Total income taxes .....	\$ 24,765,000	\$ 24,997,348
Net profit for the year .....	\$ 22,745,755	\$ 22,233,913

NOTE: Costs and expenses include depreciation of plant and equipment — 1964, \$2,068,745; 1963, \$2,039,116.

### EARNED SURPLUS

	For the Year Ended December 31, 1964
BALANCE AT DECEMBER 31, 1963.....	\$ 97,165,185
ADD — Net profit for the year 1964.....	22,745,755
	\$119,910,940
DEDUCT — Dividends, \$ .92½ a share...	\$ 11,307,092
BALANCE AT DECEMBER 31, 1964.....	<u>\$108,603,848</u>

## AUDITORS' OPINION

*To the Board of Directors and Stockholders of  
Hershey Chocolate Corporation:*

We have examined the consolidated balance sheet of Hershey Chocolate Corporation ( a Delaware corporation ) and subsidiaries as of December 31, 1964, and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the preceding year.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation and subsidiaries as of December 31, 1964, and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,  
February 9, 1965.



# **HERSHEY CHOCOLATE CORPORATION**

**and Subsidiaries**

## **EXECUTIVE OFFICES**

Hershey, Pennsylvania

Smiths Falls, Ontario

## **MANUFACTURING PLANTS**

Hershey, Pennsylvania

Oakdale, California

Smiths Falls, Ontario

## **WAREHOUSES**

### **UNITED STATES**

Atlanta, Ga.

Bellwood, Ill.

Billings, Mont.

Cambridge, Mass.

Cincinnati, Ohio

Dallas, Texas

Davenport, Iowa

Denver, Colo.

Detroit, Mich.

East St. Louis, Ill.

Houston, Texas

Jacksonville, Fla.

Kansas City, Mo.

Little Rock, Ark.

Los Angeles, Cal.

Memphis, Tenn.

Milwaukee, Wis.

New Orleans, La.

North Bergen, N. J.

Oklahoma City, Okla.

Omaha, Neb.

Pittsburgh, Pa.

Portland, Ore.

St. Paul, Minn.

Salt Lake City, Utah

San Leandro, Cal.

Seattle, Wash.

### **CANADA**

Calgary, Alberta

Moncton, New Brunswick

Vancouver, British Columbia

Winnipeg, Manitoba

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## **SALES OFFICES**

In principal cities of the United States and Canada.

## **HERSHEY'S PRODUCTS**

### **FOR THE CONSUMER**

MILK CHOCOLATE BARS	MILK CHOCOLATE KISSES
ALMOND BARS	BAKING CHOCOLATE
SEMI-SWEET BARS	DAINTIES
KRACKEL BARS	COCOA
MR. GOODBAR	CHOCOLATE SYRUP
BUTTER CHIP BARS	INSTANT COCOA MIX
MINIATURE BARS	HOT CHOCOLATE POWDER
HERSHEY-ETS	CHOCOLATE TOPPINGS
MINT CHOCOLATE	BUTTERSCOTCH TOPPING
CHOCOLATE COVERED ALMONDS	SWEET MILK COCOA
CHOCOLATE COVERED PEANUTS	

### **FOR INDUSTRIAL USERS**

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS	COCOA POWDER
COCOA BUTTER	CHOCOLATE SYRUP

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## **REESE'S PRODUCTS**

REESE'S PEANUT BUTTER CUPS

(In various sizes and packages for the consumer)







*Chocolate Town, U.S.A. — has fixed it so that in your town, U.S.A. . . .*

**PEANUTS ARE NOW “HERSHEY’S-GOOD”!**

**HERSHEY’S**  
*Milk Chocolate Covered*

CANDY COATED  
**Ped**



INGREDIENTS  
MILK CHOCOLATE SUGAR  
PEANUTS, CORN SIRUP  
SOLIDS, GUM ARABIC  
PURE FOOD COLORS, RES-  
INOUS GLAZE, CORN  
STARCH, LECITHIN, CARRA-  
GEN, AND VANILLIN, AN  
ARTIFICIAL FLAVORING



MFD BY HERSEY CHOCOLATE CORPORATION, HERSEY, PA., U.S.A.  
**HERSEY'S CANDY COATED PEANUTS**

**A** big new builder of  
repeat sales...fills an important  
need at every candy counter  
across the land.



5 $\frac{3}{4}$  OZ. CELLO BAGS, packed 24 bags to shipping case, Item No. 186

15 OZ. CELLO BAGS, packed 12 bags to shipping case, Item No. 187

25 POUND BULK, Item No. 185







